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**Department of  
Corrections**

This financial-compliance audit report contains the results of our audit of the Department of Corrections for the two fiscal years ended June 30, 2006. We issued an unqualified opinion on the financial schedules contained in this report. This means the reader can rely on the financial information presented and the supporting detailed information on the state's accounting records.

This report contains twelve recommendations. The recommendations relate to the department's control structure, various aspects of financial accountability, monitoring and administration of contracts, contractor payments, and compliance with state laws.

The prior audit report contained four recommendations. The department implemented one recommendation, partially implemented two recommendations, and did not implement one recommendation. The audit recommendation not implemented relates to training requirements for probation and parole officers.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department develop a control structure, with an emphasis on training and communication, to help prevent or detect and correct financial and compliance issues. .... 7

Department Response: Concur. See page B-3.

Recommendation #2

We recommend that the department record revenues and expenditures as required by state law and accounting policy..... 10

Department Response: Concur. See page B-3.

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<u>Recommendation #3</u>	We recommend the department establish policies and procedures, increase communication, and train staff to provide for consistent and efficient transaction processing. ....	12
	<u>Department Response:</u> Concur. See page B-4.	
<u>Recommendation #4</u>	We recommend the department implement controls to prevent and detect and correct accounting errors on a timely basis.....	15
	<u>Department Response:</u> Concur. See page B-4.	
<u>Recommendation #5</u>	We recommend the department ensure Montana Correctional Enterprise’s ranch livestock assets are recorded in accordance with state policy. ....	17
	<u>Department Response:</u> Do not concur. See page B-5.	
<u>Recommendation #6</u>	We recommend the department implement adequate controls over contract administration.....	21
	<u>Department Response:</u> Concur. See page B-5.	
<u>Recommendation #7</u>	We recommend the department:  A. Enforce the terms of the contract or seek reimbursement from the contractor for \$25,000 paid under its transportation study contract.  B. Implement controls to ensure documentation required by contracts is received before approving contract payment.....	23
	<u>Department Response:</u> Concur. See page B-5.	
<u>Recommendation #8</u>	We recommend the department ensure its employees are enrolled in the proper retirement systems in accordance with state law.....	24
	<u>Department Response:</u> Concur. See page B-6.	

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<u>Recommendation #9</u>	We recommend the department comply with state law regarding Internal Service Funds fees, charges, and working capital. ....	25
	<u>Department Response:</u> Concur. See page B-6.	
<u>Recommendation 10</u>	We recommend the department update, communicate, and distribute current policies to ensure compliance with its internal policies. ....	28
	<u>Department Response:</u> Concur. See page B-6.	
<u>Recommendation #11</u>	We recommend the department continue implementing controls to ensure probation and parole officers and correctional officers receive training required by state law and department policy. ....	29
	<u>Department Response:</u> Concur. See page B-7.	
<u>Recommendation #12</u>	We recommend the department work with the legislature to appoint a member of the House of Representatives to the council as required by section 46-23-1115, MCA. ....	29
	<u>Department Response:</u> Concur. See page B-7.	